

2012-117 AUDIT SCOPE AND OBJECTIVES—Department of Consumer Affairs—State Athletic Commission

The audit by the California State Auditor will provide independently developed and verified information related to the California State Athletic Commission (CSAC) and the Department of Consumer Affairs and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Review and evaluate the roles, responsibilities, and authority of the department and CSAC related to CSAC's administration of the pension fund, regulation of events, and management of CSAC's financial operations to determine if the department and CSAC are meeting their respective responsibilities and exercising their authority consistent with any relevant laws by performing the following:
 - a. Examine the method by which the CSAC budget is approved.
 - b. Review and assess the processes used to make decisions that impact the financial operations of CSAC.
 - c. Determine whether the information used to make significant decisions includes a sufficient level of detail and is provided to the decision makers in a timely manner.
 - d. Determine if a strategy has been developed to control CSAC's costs and increase its revenue.
3. Review the internal controls related to CSAC's administration of the pension fund, regulation of events, and financial activities to determine if they are designed to ensure efficient and effective operations in these areas. This should include, but not be limited to, performing the following covering the most recent three-year period:
 - a. Review and assess the policies and practices used to ensure that all revenues from events are collected and accurately recorded and reported.
 - b. Identify the amount of money budgeted and spent for athletic inspectors' salaries and travel, as well as travel costs for commissioners, CSAC, and any other staff.
 - c. For a selection of travel expenditures, determine if they were allowable and reasonable. Additionally, identify any unusual trends in the type and costs of travel and the reasons for these trends.
 - d. Determine whether CSAC is using the most cost-effective method when providing athletic inspectors at its events. At a minimum, perform the following:
 - i. Determine whether CSAC used athletic inspectors employed by the State or used contracted athletic inspectors more frequently. Using this information and any other

relevant factors, determine which type of athletic inspector is the most cost-effective to use at the events.

- ii. Determine whether and how often CSAC used inspectors located elsewhere in the State and, therefore incurred travel costs, rather than using local inspectors that were available. Based on this information and any other relevant factors, determine if CSAC incurred additional costs that could have been avoided.
4. Review and assess the current financial condition of the pension fund and any projections related to its financial condition.
5. Based on the current and any projections on the financial condition of the pension fund, determine whether it is feasible to extend the pension plan to cover other athletes regulated by CSAC.
6. Determine the extent to which CSAC has implemented recommendations from the state auditor's report released in July 2005.
7. Review and assess the current financial condition of the Neurological Examination Account. Additionally, determine the amount spent on administrative activities for this account during the most recent three-year period. For a selection of these expenditures, determine whether the respective activities were allowable and reasonable.
8. For the most recent three-year period, determine whether CSAC used policies and practices designed to detect and prevent conflicts of interest and whether the application of these policies and practices adequately addressed any conflicts that were identified.
9. Review and assess any other issues that are significant to CSAC and the pension fund.